

**Village of Spring Lake
Ottawa County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Village of Spring Lake

Ottawa County, Michigan

June 30, 2008

VILLAGE COUNCIL AND ADMINISTRATION

Bill Filber	President
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Steve Nauta	Council Member
Jeff Ferguson	Council Member
Kyle Verplank	Council Member
Ryan Cotton	Village Manager
Maribeth Lawrence	Clerk/Treasurer

Village of Spring Lake

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Village of Spring Lake as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Village of Spring Lake as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Spring Lake's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 5, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

1) Financial Highlights

- a) In all material regards, the Village of Spring Lake ended the fiscal year in sound financial position. All funds ended the year with positive fund equity. Total General Fund expenditures ended over budget by \$164,002. The total General Fund addition to fund balance was \$48,155, \$39,762 more than what was anticipated. All funds ended the year with cash fund balances that met or exceeded the Village Council's minimum levels.
- b) Net assets remained revalued from the June 30, 2003 amounts to meet actual holdings and GASB-34 requirements and in most funds.
- c) Total expenses for governmental activities totaled \$2,646,567, which is up from \$2,009,523 for fiscal year 2007. These amounts properly exclude the Downtown Development and Tax Increment Finance Authorities for both years as required by the GASB. These Authorities are reflected as Component Units.
- d) The General Fund is healthy. The fund balance increased by \$48,155. Year-end fund balance for the General Fund totaled \$401,519. This fund balance equals 28% of expenditures and other financing uses. The Village's Fiscal Guidelines calls for 15% of cash balance. When compared to the cash balance of \$318,440 the Village's reserve is found to be 23%.
- e) Attached is a chart that details the trend lines maintained of the Village's cash position and modified accrual fund equity amounts since 2002. The Trend Line chart shows total Village fund balances increased by \$381,122 to a total of \$6,328,477 last year. The primary reason for the addition was from the General, the Tax Increment Financing Fund, the Water Fund and the Central Equipment Fund. This increase continues a positive trend upward since fiscal year 2004, when the combined balance was \$3,491,130. This chart is used by the Village Administration as a budgeting and management tool.

2) Overview of Financial Statements

a) Overall financial picture.

The financial statements provide two views of the Village's financial position. At the broadest level, also called the Government-wide statements, the statements summarize all Village funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector, for-profit accounting.

i) Statement of Net Assets

The statement of Net Assets provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. **A trend of increasing net assets is viewed as a sign of improving condition.** The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The Statement of Activities explains the change in net assets through revenue and expense analysis. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital outlay. Capital outlay is capitalized on the Statement of Net Assets.

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b) Fund Focus

Traditional governmental accounting focused on individual governmental funds. These funds have not disappeared. As in the former financial model, a fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. Funds are used to ensure compliance with legal or regulatory compliance. Funds are classified as governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are included in governmental activities and are not governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the balances of spendable resources. In the governmental fund statements, accounting for items such as capital outlay, depreciation and debt payments are different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) Major Funds

Under GASB Statement 34, the focus shifted from the type of governmental fund to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the Village of Spring Lake, the following funds meet this requirement:

- General Fund
- Village of Spring Lake/City of Ferrysburg Police Department
- Water Fund
- Sewer Fund

(2) Nonmajor Funds

In the basic financial statements, the remaining funds are considered nonmajor funds and are consolidated into one column. These are smaller, less active funds. Detailed information about nonmajor funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds:

- Enterprise
- Internal Service

(1) Enterprise funds are used to report business like activities. In general, these funds charge a fee for goods or services provided. The fee is expected to recover the cost of providing the goods or services. The Village of Spring Lake uses enterprise funds for water distribution and wastewater collection.

(2) Internal service funds provide goods or services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle purchases and maintenance. The Village of Spring Lake has two internal service funds: the Central Equipment and the Police Equipment Fund.

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iii) Component Units

The Village of Spring Lake's Annual Financial Report includes two (2) component units. Component units are separate legal entities for which the Village of Spring Lake has some level of financial accountability. The Village of Spring Lake's two (2) component units are the Downtown Development Authority and the Tax Increment Financing Authority. More information about this component unit can be found in the Notes to the financial statements and in the selected statements following the Notes.

c) Notes to the Financial Statements

Immediately after the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the Village.

3) Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the Village's assets, liabilities, and net assets. As mentioned above, this can provide a good indicator of the Village's fiscal year health over time.

Below is a summarized version of the Statement of Net Assets for 2008 with comparative amounts for 2007, as required.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Assets						
Current and other assets	\$ 1,719,322	\$ 1,669,964	\$ 442,670	\$ 539,958	\$ 2,161,992	\$ 2,209,922
Capital assets	<u>6,474,260</u>	<u>6,428,895</u>	<u>4,403,603</u>	<u>4,243,096</u>	<u>10,877,863</u>	<u>10,671,991</u>
Total assets	8,193,582	8,098,859	4,846,273	4,783,054	13,039,855	12,881,913
Liabilities						
Current liabilities	496,714	339,808	206,738	217,972	703,452	557,780
Noncurrent liabilities	<u>2,529,098</u>	<u>2,377,209</u>	<u>727,435</u>	<u>582,888</u>	<u>3,256,533</u>	<u>2,960,097</u>
Total liabilities	3,025,812	2,717,017	934,173	800,860	3,959,985	3,517,877
Net assets						
Invested in capital assets, net of related debt	4,041,416	3,864,479	3,534,857	3,510,391	7,576,273	7,374,870
Restricted	381,151	388,507	-	-	381,151	388,507
Unrestricted	<u>745,203</u>	<u>1,128,856</u>	<u>377,243</u>	<u>471,803</u>	<u>1,122,446</u>	<u>1,600,659</u>
Total net assets	<u>\$ 5,167,770</u>	<u>\$ 5,381,842</u>	<u>\$ 3,912,100</u>	<u>\$ 3,982,194</u>	<u>\$ 9,079,870</u>	<u>\$ 9,364,036</u>

The total net assets of the Primary Government are \$9,364,036 up from \$9,079,870 last year. The Village has \$1,600,659 in unrestricted net assets at the end of the current year.

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b) Changes in Net Assets

(i) Governmental Activities Highlights

The following table shows how activities effect changes in net assets during the fiscal year with comparative amounts from 2007.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services	\$ 265,786	\$ 266,724	\$ 806,514	\$ 822,455	\$ 1,072,300	1,089,179
Operating & capital grants & contributions	1,025,625	860,711	-	-	1,025,625	860,711
Property taxes	1,052,029	1,181,223	-	-	1,052,029	1,181,223
State shared revenues	202,392	202,328	-	-	202,392	202,328
Investment earnings	70,087	33,142	12,366	15,333	82,453	48,475
Miscellaneous	<u>11,276</u>	<u>13,954</u>	<u>8,010</u>	<u>14,784</u>	<u>19,286</u>	<u>28,738</u>
Total revenues	2,627,195	2,558,082	826,890	852,572	3,454,085	3,410,654
Expenses						
General government	427,672	455,842	-	-	427,672	455,842
Public safety	913,917	915,450	-	-	913,917	915,450
Public works	183,173	557,991	-	-	183,173	557,991
Community and economic development	55,552	133,912	-	-	55,552	133,912
Recreation & cultural	311,947	286,376	-	-	311,947	286,376
Other	2,638	-	-	-	2,638	-0-
Interest and fiscal charges	114,624	122,814	-	-	114,624	122,814
Water	-	-	301,418	334,408	301,418	334,408
Sewer	<u>-</u>	<u>-</u>	<u>285,801</u>	<u>319,695</u>	<u>285,801</u>	<u>319,695</u>
Total expenses	2,009,523	2,472,385	587,219	654,103	2,596,742	3,126,488
Change in net assets before transfers	617,672	85,697	239,671	198,469	857,343	284,166
Net transfers	<u>118,185</u>	<u>128,375</u>	<u>(118,185)</u>	<u>(128,375)</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets	735,857	214,072	121,486	70,094	857,343	284,166
Restated net assets - beginning of year	<u>4,431,913</u>	<u>5,167,770</u>	<u>3,790,614</u>	<u>3,912,100</u>	<u>8,222,527</u>	<u>9,079,870</u>
Ending net assets	<u>\$ 5,167,770</u>	<u>\$ 5,381,842</u>	<u>\$ 3,912,100</u>	<u>\$ 3,982,194</u>	<u>\$ 9,079,870</u>	<u>\$ 9,364,036</u>

Total revenue from all sources totaled \$3,410,654 of which \$2,558,082 was from governmental activities and \$852,572 was from business-type activities. Total revenue from governmental activities is \$2,558,082, of which 46 % or \$1,181,223 is from property taxes. The millage rate decreased to 11.8619 out of the 20-mill charter limit.

(1) Expenses and expenditures changes

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(a) Over cost

Using a full accrual basis of accounting, the Village of Spring Lake spent \$2,472,385 on governmental activities. From this perspective, the Village depreciates capital assets. The Village spent \$915,450 on public safety or 37% of the total. (The City of Ferrysburg is a partner in the Village of Spring Lake/City of Ferrysburg Police Department and contributed \$461,045 towards its operation.) General government activities totaled \$455,842 or 18% of the total and public works expenses totaled \$577,991 or 23% of the total.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General fund totaled \$466,693 the greatest portion of these being transferred into the Police Department Special Revenue Fund with the total of \$461,045. These transfers occur on an annual basis and for clarity of reporting are noted here.

(ii) Business-type Activities - Highlights

Business-type activities show an increase in net assets of \$70,094 with total revenues of \$852,572. The largest source of revenue was from charges for services, which represent 97% of revenues for business-type activities. Charges for services of proprietary funds are further detailed as follows:

- Sewer \$276,083
- Water \$546,372

(1) Village Water (Distribution)

- a. Note that this fund handles only the distribution of water to the Village of Spring Lake customers and purchases its treated water from the Northwest Ottawa Water Systems (NOWS) Fund, a joint venture of Northwest Ottawa communities.
- b. The Village Water Fund has a sufficient cash position at \$196,511; with operating revenues at \$557,334, the fund had a net increase of \$110,057 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future. The fund balance had dropped from fiscal year 02 through fiscal year 06 due to no longer subsidizing the fund with taxes and from increased debt and operating costs for capital improvements made by NOWS. In fiscal year 2007, however, annual rate increases and system equity charges for new users were instituted to address the shortfalls. In fiscal year 2008, there was an inflationary rate increase.

(2) Village Sewer (Collection)

The Village Sewer Fund has a sufficient cash position at \$163,468; with operating revenues of \$279,905, the fund had a net decrease of \$39,963 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future. There was an inflationary rate increase in fiscal year 2008 to help keep the fund healthy.

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4) Financial Analysis of Individual Governmental Funds

a) General Fund

The General Fund had revenues and other financing sources of \$1,632,747 and \$1,584,592 in expenditures and other financing sources (uses). Net transfers to other funds were \$454,193, the largest going to the Village of Spring Lake/City of Ferrysburg Police Department Special Revenue Fund, pursuant to the Joint Police Commission's recommendation and the direction of the Spring Lake Village Council. The fund balance increased by \$48,155, due to increased revenue from taxes and interest and some projects and building repairs that were deferred.

b) Police Department Fund

The Police Department Fund had a decrease in fund balance of \$5,422 in fiscal year 2008 bringing the total fund balance down to \$81,631. The Police Department fund had expenditures of \$936,611, slightly less (\$6,845) than budgeted and revenues and other financing sources of \$931,189, slightly more (\$4,701) than budgeted for the fiscal year. The Police Department jointly serves the City of Ferrysburg and the Village of Spring Lake with each community contributing to the fund. In fiscal year 2008, the Village contributed \$461,045 and the City of Ferrysburg's contribution was \$461,045.

5) Capital Assets and Debt Administration

a) Capital Assets

i) Summary of capital assets

The Village of Spring Lake has \$6,428,895 invested in capital assets net of depreciation under governmental activities and \$4,243,096 in business-type activities. The major investments are in property, buildings and improvements, infrastructure systems within the Village, plus the sewer and water systems.

Capital assets include all purchases of assets that exceed \$5,000 and have an expected useful life greater than three years. Capital assets include: land, land improvements, streets, sidewalks, parking lots, buildings, equipment and utility systems such as water and sewer lines, sewer lift stations and water meters. The Village uses straight-line depreciation for all depreciable assets.

Some of the major capital purchases during the year included:

- The repair of Maple Terrace - \$43,685
- Parking Lot repaving - \$15,000
- Lakeside Trail markers - \$10,444
- Lakeside Trail resurfacing - \$27,494
- Exchange Street sidewalks - \$20,250

ii) Discussion of future plans

Annually, the Village Council considers and publishes a 6-year Capital Improvement Plan. The Plan lists all major capital items that the Village Council, various Village Boards and staff envision will be needed over the next three years. Listed major projects for the next two years include:

- Central Park Improvements
- Lakeside Trail Resurfacing
- Sidewalk Extensions
- Grand River Greenway

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6) Debt

a) Summary of debt

The Village of Spring Lake had \$2,581,541, down from \$2,943,891 of debt outstanding for governmental activities in FY 07. The Village had \$732,705 in debt outstanding for business-type activities as of June 30, 2008, down from \$868,746 in FY 07.

b) Anticipated debt

The Village of Spring Lake anticipates the long-term borrowing to finance rehabilitation of the new water plant in FY 10.

Note F of the notes to the financial statements offers more detailed information on debt and other obligations.

7) Economic Forecast

a) Main Sources of Revenue

The Village of Spring Lake has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is dependent on these three revenues, as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the Village is closely tracked through the Spring Lake Township Assessing Division. The following table shows property values for the recent years as well as the property valuation that will be used in the fiscal year 2008 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value.) Property taxes are calculated on taxable value, not state equalized value. Taxable value is tracked in the Village's budget and is reproduced below.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped, by state constitution, to 5% or the rate of inflation whichever is less. In the year when property sells, the taxable value becomes uncapped and equals to SEV.

In future years, significant improvements to taxable value will include additional Marina Bay condominiums (32 more); the remaining Spring Lake Villa condominiums (39 more); the Alden Place Victorian Village Property Redevelopment (29 condominiums); the proposed redevelopment of Fruitport Road and Savidge on the northeast and southwest corners; and proposed eye care office and Macatawa Bank branch at Lake and Savidge. Some reductions in taxable value have occurred with various business and industrial changes during the fiscal year herein reported: demolition of residential property on West Exchange is the most notable example.

Fiscal Year	Real and Personal	TIFA Capture	Total	Percentage
2001	63,245,498	13,044,526	76,290,024	--
2002	66,576,446	14,950,729	81,527,175	6.9%
2003	69,050,368	13,436,154	82,486,522	1.2%
2004	71,575,297	14,382,156	85,957,453	4.2%
2005	79,253,537	14,441,540	93,666,077	9.0%
2006	84,747,681	15,672,472	100,420,153	7.2%
2007	91,923,914	19,391,815	111,315,729	10.85%

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ii) State Shared Revenue

State shared revenue is the second largest source of revenue for the General Fund. It represents 13.87% of General Fund revenue. State shared revenue is made of two components and based on the State sales tax rate of 6%. The constitutional component is based on the former 4% sales tax. This portion cannot be adjusted by the legislature. This total was \$174,673 in fiscal year 2008. The statutory component is based on the additional 2% added to the state sales tax and can be adjusted by the state legislature. This total was \$27,655 in fiscal year 2008. In both components, the overall distribution is dependent on the collection of the State sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue increases. Therefore, the Village of Spring Lake's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, Village Administration uses the Michigan Department of Treasury's estimates as published on their web site. The current fund balance will enable the Village to weather any likely reductions in Fiscal Year 2009 state shared revenue; however, conservative estimates for the future are needed. The statutory share of \$34,938 is at significant risk in future state budgets.

iii) Utility and Other Major Revenue

Utility charges will likely increase, especially for water debt. Increased water debt will drive the debt service charge up as the NOWS facilities are upgraded in the next few years, including the expanded water intake and treatment plant.

Tanglefoot Park hosts over thirty recreational vehicles and twenty boat slips. Together these activities produced \$78,558 in FY 08. This represents the revenue equivalent of one mill and is 5.4% of total revenue. Cable TV franchise fees resulted in \$35,040 of revenue in FY 08. This represents almost one half mills of revenue and 2.4% of total revenue. Changes in the cable industry associated with wireless technology could reduce this amount in the near future.

8) Contacting the Village's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact us at 102 W. Savidge, Spring Lake, MI 49456, or call us at 616 842-1393 or email us at the addresses noted below:

Ryan Cotton
Village Manager
ryan@springlakevillage.org

Maribeth Lawrence
Village Clerk/Treasurer
maribeth@springlakevillage.org

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Trendlines: Post Audit Fiscal Year 2008

Cash Balances							
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Funds	FY 2002	FY 2003	FY 2004	FY2005	FY 2006	FY 2007	FY 2008
General	\$ 239,847	\$ 222,592	\$ 178,946	\$ 204,679	\$ 248,217	\$ 243,710	\$ 318,439
Major Streets	74,697	56,792	65,674	127,181	197,814	149,734	153,821
Local Streets	5,241	18,460	25,166	49,781	56,214	47,912	46,804
SL/FB Police	51,430	86,742	120,328	148,537	113,773	98,648	95,955
Public Improvement	42,395	12,422	89,715	201,265	193,790	125,968	63,598
Historic Commission	4,335	4,575	2,902	3,064	4,793	3,509	2,564
Storm Sewer	NA	NA	NA	NA	NA	-	79
CBDDA	5,359	5,412	4,550	5,465	4,871	4,544	4,368
Building	18,944	19,716	1,237	12,701	27,149	26,137	10,471
TIF	538,823	538,823	64,474	388,247	737,165	665,018	765,270
Water Debt Retirement	65,791	84,389	53,034	46,034	26,488	6,334	6,122
2003 G.O. Bond (Village Hall)	-	15,807	159	11,993	48,225	36,556	47,559
DDA Debt 1994	3,194	3,022	2,902	-	-	-	-
Street Debt 2000	46,861	45,439	53,788	58,236	54,358	49,960	45,806
VH Construction	-	23,863	163,745	37,140	-	-	-
Sewer	129,727	154,101	94,869	103,085	125,487	157,753	163,468
Water	140,337	50,169	43,401	243	(20,643)	75,726	194,828
Central Equip	115,093	120,331	193,017	220,007	264,504	209,191	269,702
Central Pol Equip	50,939	42,950	32,983	36,824	36,443	43,592	42,098
Trust and Agency	10,000	10,000	338,682	-	-	-	-
Total	\$ 1,543,013	\$ 1,515,605	\$ 1,529,572	\$ 1,654,482	\$ 2,118,648	\$ 1,944,292	\$ 2,230,952

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Trendlines: Post Audit Fiscal Year 2008

Modified Accrual Fund							
Balance Pre GASB 34							
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Funds	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007	FY2008
General	\$ 274,456	\$ 264,345	\$ 250,026	\$ 269,936	\$ 312,288	\$ 353,363	\$ 401,517
Major Streets	108,959	111,812	86,457	153,005	206,416	161,834	171,787
Local Streets	58,547	50,544	36,298	55,588	56,731	53,843	52,831
SL/FB Police	49,051	92,869	112,190	142,065	103,007	87,054	81,630
Public Improvement	42,446	7,191	106,629	193,823	188,962	126,606	51,868
Historic Commission	3,380	3,646	3,419	3,917	4,358	3,520	2,196
Storm Sewer	NA	NA	NA	NA	NA	-	79
CBDDA	5,365	5,416	5,408	5,474	4,781	4,559	4,351
Building	18,380	17,610	436	8,607	26,972	25,787	9,900
TIF	538,823	440,598	180,907	388,247	682,144	765,270	892,769
Water Debt Retirement	65,870	84,446	63,033	46,115	26,564	6,355	6,131
2003 G.O. Bond (Village Hall)	-	15,870	16,143	28,093	44,583	49,544	60,873
DDA Debt 1994	3,194	3,022	2,902	-	-	-	-
Street Debt 2000	46,914	47,913	66,388	58,341	54,514	50,124	45,870
VH Construction	-	1,417,705	46,239	33,473	-	-	-
Sewer	453,661	495,169	415,662	1,011,882	981,799	961,909	977,248
Water	1,556,355	1,568,044	1,637,839	2,642,248	2,642,459	2,749,259	2,983,180
Central Equip	199,404	246,977	373,679	450,891	491,642	479,467	520,250
Central Pol Equip	77,556	81,077	87,475	73,447	64,229	67,861	65,997
Trust and Agency	-	-	-	-	-	-	-
Total	\$ 3,502,361	\$ 4,954,254	\$ 3,491,130	\$ 5,565,152	\$ 5,891,449	\$ 5,946,355	\$ 6,328,477

BASIC FINANCIAL STATEMENTS

Village of Spring Lake

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,120,006	\$ 358,496	\$ 1,478,502	\$ 2,641,874
Cash and cash equivalents - restricted	-	1,483	1,483	-
Receivables	1,668	225,479	227,147	3,729
Due from other governmental units	173,550	-	173,550	-
Internal balances	45,500	(45,500)	-0-	-
Prepays	3,572	-	3,572	-
Total current assets	1,344,296	539,958	1,884,254	2,645,603
Noncurrent assets				
Due from other governmental units	325,668	-	325,668	-
Capital assets not being depreciated	2,027,671	8,092	2,035,763	-
Capital assets, net of accumulated depreciation	4,401,224	4,235,004	8,636,228	-
Total noncurrent assets	6,754,563	4,243,096	10,997,659	-0-
TOTAL ASSETS	8,098,859	4,783,054	12,881,913	2,645,603
LIABILITIES				
Current liabilities				
Accounts payable	73,703	56,289	129,992	1,439
Accrued liabilities	31,155	3,178	34,333	-
Accrued interest payable	30,618	8,688	39,306	-
Due to other governmental units	-	-	-0-	1,747,043
Current portion of compensated absences	12,844	-	12,844	-
Current portion of long-term debt	191,488	149,817	341,305	-
Total current liabilities	339,808	217,972	557,780	1,748,482
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	325,668
Noncurrent portion of compensated absences	4,281	-	4,281	-
Noncurrent portion of long-term debt	2,372,928	582,888	2,955,816	-
Total noncurrent liabilities	2,377,209	582,888	2,960,097	325,668
TOTAL LIABILITIES	2,717,017	800,860	3,517,877	2,074,150
NET ASSETS				
Invested in capital assets, net of related debt	3,864,479	3,510,391	7,374,870	-
Restricted for:				
Debt service	82,258	-	82,258	-
Public safety	81,631	-	81,631	-
Streets	224,618	-	224,618	-
Unrestricted	1,128,856	471,803	1,600,659	571,453
TOTAL NET ASSETS	\$ 5,381,842	\$ 3,982,194	\$ 9,364,036	\$ 571,453

See accompanying notes to financial statements.

Village of Spring Lake

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								Component Units
Governmental activities								
General government	\$ 455,842	\$ 93,204	\$ 100,587	\$ -	\$ (262,051)	\$ -	\$ (262,051)	\$ -
Public safety	915,450	66,446	464,304	-	(384,700)	-	(384,700)	-
Public works	557,991	-	295,820	-	(262,171)	-	(262,171)	-
Community and economic development	133,912	3,340	-	-	(130,572)	-	(130,572)	-
Recreation and cultural	286,376	103,734	-	-	(182,642)	-	(182,642)	-
Interest on long-term debt	122,814	-	-	-	(122,814)	-	(122,814)	-
Total governmental activities	2,472,385	266,724	860,711	-0-	(1,344,950)	-0-	(1,344,950)	-0-
Business-type activities								
Sewer	319,695	276,083	-	-	-	(43,612)	(43,612)	-
Water	334,408	546,372	-	-	-	211,964	211,964	-
Total business-type activities	654,103	822,455	-0-	-0-	-0-	168,352	168,352	-0-
Total primary government	\$ 3,126,488	\$ 1,089,179	\$ 860,711	\$ -0-	(1,344,950)	168,352	(1,176,598)	-0-
Component units								
Downtown Development Authority	\$ 1,390	\$ -	\$ 1,000	\$ -	-	-	-0-	(390)
Tax Increment Finance Authority	1,203,554	-	-	53,410	-	-	-0-	(1,150,144)
Total component units	\$ 1,204,944	\$ -0-	\$ 1,000	\$ 53,410	-0-	-0-	-0-	(1,150,534)
General revenues								
Property taxes					1,181,223	-	1,181,223	1,340,791
State shared revenues					202,328	-	202,328	-
Investment earnings					33,142	15,333	48,475	109,966
Miscellaneous					13,954	14,784	28,738	1,250
Transfers					128,375	(128,375)	-0-	-
Total general revenues and transfers					1,559,022	(98,258)	1,460,764	1,452,007
Change in net assets					214,072	70,094	284,166	301,473
Net assets, beginning of the year					5,167,770	3,912,100	9,079,870	269,980
Net assets, end of the year					\$ 5,381,842	\$ 3,982,194	\$ 9,364,036	\$ 571,453

See accompanying notes to financial statements.

Village of Spring Lake

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Police Department
ASSETS		
Cash and cash equivalents	\$ 318,440	\$ 95,956
Interest receivable	560	135
Due from other governmental units		
Federal/State	129,933	-
Local	336,142	-
Prepays	2,431	1,141
TOTAL ASSETS	\$ 787,506	\$ 97,232
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 49,420	\$ 2,112
Accrued liabilities	10,899	13,489
Deferred revenue	325,668	-
TOTAL LIABILITIES	385,987	15,601
FUND BALANCES		
Reserved for		
Prepays	2,431	1,141
Debt service	-	-
Unreserved		
Undesignated, reported in		
General fund	399,088	-
Special revenue funds	-	80,490
TOTAL FUND BALANCES	401,519	81,631
TOTAL LIABILITIES AND FUND BALANCES	\$ 787,506	\$ 97,232

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 393,809	\$ 808,205
533	1,228
32,341	162,274
802	336,944
-	3,572
<u>\$ 427,485</u>	<u>\$ 1,312,223</u>
\$ 19,361	\$ 70,893
6,584	30,972
-	325,668
<u>25,945</u>	<u>427,533</u>
-	3,572
112,876	112,876
-	399,088
288,664	369,154
<u>401,540</u>	<u>884,690</u>
<u>\$ 427,485</u>	<u>\$ 1,312,223</u>

Village of Spring Lake

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds \$ 884,690

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 13,295,866	
Accumulated depreciation is	<u>(6,866,971)</u>	
Capital assets, net		6,428,895

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	586,249	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(231,501)</u>	
		354,748

Certain long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds		325,668
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct Village obligations	(2,564,416)	
Accrued interest payable	(30,618)	
Compensated absences	<u>(17,125)</u>	
		<u>(2,612,159)</u>

Net assets of governmental activities		\$ 5,381,842
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See accompanying notes to financial statements.

Village of Spring Lake

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Police Department
REVENUES		
Taxes	\$ 991,334	\$ -
Intergovernmental	416,465	464,305
Charges for services	71,384	-
Licenses and permits	4,320	-
Fines and forfeits	25,080	-
Interest and rents	92,066	3,988
Other	19,598	1,851
	<hr/>	<hr/>
TOTAL REVENUES	1,620,247	470,144
EXPENDITURES		
Current		
General government	305,984	-
Public safety	12,785	936,611
Public works	234,854	-
Community and economic development	90,560	-
Recreation and cultural	296,841	-
Other	2,693	-
Debt service	174,182	-
Capital outlay	-	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	1,117,899	936,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	502,348	(466,467)
OTHER FINANCING SOURCES (USES)		
Transfers in	12,500	461,045
Transfers out	(466,693)	-
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(454,193)	461,045
NET CHANGE IN FUND BALANCES	48,155	(5,422)
Fund balances, beginning of year	353,364	87,053
	<hr/>	<hr/>
Fund balances, end of year	\$ 401,519	\$ 81,631
	<hr/>	<hr/>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 189,890	\$ 1,181,224
357,260	1,238,030
-	71,384
33,400	37,720
-	25,080
53,548	149,602
7,775	29,224
<u>641,873</u>	<u>2,732,264</u>
-	305,984
49,672	999,068
378,868	613,722
-	90,560
3,747	300,588
-	2,693
313,897	488,079
93,290	93,290
<u>839,474</u>	<u>2,893,984</u>
(197,601)	(161,720)
144,523	618,068
<u>(23,000)</u>	<u>(489,693)</u>
121,523	128,375
(76,078)	(33,345)
477,618	918,035
<u>\$ 401,540</u>	<u>\$ 884,690</u>

Village of Spring Lake

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (33,345)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 247,712	
Depreciation expense	<u>(293,077)</u>	
Excess of depreciation expense over capital outlay		(45,365)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	38,920	
Capital outlay of Internal Service Funds included in the total above	(28,581)	
Depreciation expense of Internal Service Funds included in the total above	<u>97,288</u>	
		107,627

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	368,278
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Some items reported in the statement of activities are not a source of current financial resources or do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in due from other governmental units	(174,182)	
(Increase) in accrued interest payable	(3,013)	
(Increase) in compensated absences	<u>(5,928)</u>	
		<u>(183,123)</u>

Change in net assets of governmental activities \$ 214,072

See accompanying notes to financial statements.

Village of Spring Lake
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2008

	Business-type Activities	
	Sewer Fund	Water Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 163,468	\$ 195,028
Restricted cash and cash equivalents	-	1,483
Accounts receivable	82,125	142,848
Interest receivable	231	275
Due from other funds	-	-
Total current assets	245,824	339,634
Noncurrent assets		
Capital assets not being depreciated	-	8,092
Capital assets, net of accumulated depreciation	782,486	3,452,518
Total noncurrent assets	782,486	3,460,610
TOTAL ASSETS	1,028,310	3,800,244
LIABILITIES		
Current liabilities		
Accounts payable	41,692	14,597
Accrued liabilities	1,422	1,756
Accrued interest payable	-	8,688
Due to other funds	-	45,500
Current portion of long-term debt	-	149,817
Total current liabilities	43,114	220,358
Noncurrent liabilities		
Noncurrent portion of long-term debt	-	582,888
TOTAL LIABILITIES	43,114	803,246
NET ASSETS		
Invested in capital assets, net of related debt	782,486	2,727,905
Unrestricted	202,710	269,093
TOTAL NET ASSETS	\$ 985,196	\$ 2,996,998

See accompanying notes to financial statements.

Total	Governmental Activities	
	Internal Service Funds	
\$ 358,496	\$	311,801
1,483		-
224,973		-
506		440
-0-		45,500
585,458		357,741
8,092		-
4,235,004		231,501
4,243,096		231,501
4,828,554		589,242
56,289		2,810
3,178		183
8,688		-
45,500		-
149,817		-
263,472		2,993
582,888		-
846,360		2,993
3,510,391		231,501
471,803		354,748
\$ 3,982,194	\$	586,249

Village of Spring Lake

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2008

	Business-type Activities	
	Sewer Fund	Water Fund
OPERATING REVENUES		
Charges for services	\$ 276,083	\$ 546,372
Other	3,822	10,962
TOTAL OPERATING REVENUES	279,905	557,334
OPERATING EXPENSES		
Salaries and wages	49,378	56,079
Benefits	14,930	17,666
Supplies	5,270	15,388
Contracted services	137,121	85,799
Utilities	2,400	-
Equipment rental	30,595	22,750
Repairs and maintenance	34,909	-
Insurance	4,811	899
Depreciation	39,549	120,958
Other	732	991
TOTAL OPERATING EXPENSES	319,695	320,530
OPERATING INCOME (LOSS)	(39,790)	236,804
NONOPERATING REVENUES (EXPENSES)		
Interest earned	6,827	8,506
Interest and fiscal charges	-	(13,878)
TOTAL NONOPERATING REVENUES (EXPENSES)	6,827	(5,372)
INCOME (LOSS) BEFORE TRANSFERS	(32,963)	231,432
TRANSFERS OUT	(7,000)	(121,375)
CHANGE IN NET ASSETS	(39,963)	110,057
Net assets, beginning of year	1,025,159	2,886,941
Net assets, end of year	\$ 985,196	\$ 2,996,998

See accompanying notes to financial statements.

Total		Governmental Activities Internal Service Funds	
\$	822,455	\$	269,593
	14,784		8,307
	837,239		277,900
	105,457		9,444
	32,596		3,699
	20,658		75,804
	222,920		920
	2,400		-
	53,345		-
	34,909		46,288
	5,710		12,627
	160,507		97,288
	1,723		6,090
	640,225		252,160
	197,014		25,740
	15,333		13,180
	(13,878)		-
	1,455		13,180
	198,469		38,920
	(128,375)		-
	70,094		38,920
	3,912,100		547,329
\$	3,982,194	\$	586,249

Village of Spring Lake

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Business-Type Activities	
	Sewer Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from interfund services	\$ -	\$ -
Cash receipts from customers	258,773	545,819
Cash received from others	3,822	10,962
Cash paid to employees	(48,905)	(55,534)
Cash paid for employee benefits	(14,930)	(17,666)
Cash paid to vendors	(192,873)	(147,082)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,887	336,499
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(7,000)	(121,375)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	-	-
Principal paid on bonds	-	(136,041)
Interest and fiscal charges paid	-	(13,878)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(149,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	6,827	8,506
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,714	73,711
Cash and cash equivalents, beginning of year	157,754	122,800
Cash and cash equivalents, end of year	<u>\$ 163,468</u>	<u>\$ 196,511</u>

		Governmental Activities
		Internal Service Funds
Total		
\$ -0-	\$ 269,983	
804,592	-	
14,784	8,307	
(104,439)	(9,481)	
(32,596)	(3,699)	
<u>(339,955)</u>	<u>(145,192)</u>	
342,386	119,918	
(128,375)	-	
-0-	(28,581)	
(136,041)	-	
<u>(13,878)</u>	<u>-</u>	
(149,919)	(28,581)	
<u>15,333</u>	<u>13,180</u>	
79,425	104,517	
<u>280,554</u>	<u>207,284</u>	
<u>\$ 359,979</u>	<u>\$ 311,801</u>	

Village of Spring Lake

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2008

	<u>Business-type Activities</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (39,790)	\$ 236,804
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	39,549	120,958
(Increase) decrease in receivables	(17,310)	(553)
Increase (decrease) in accounts payable	22,965	(9,454)
(Decrease) in accrued interest payable	-	(11,801)
Increase (decrease) in accrued liabilities	473	545
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,887</u>	<u>\$ 336,499</u>

See accompanying notes to financial statements.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 197,014	\$ 25,740
160,507	97,288
(17,863)	390
13,511	(3,463)
(11,801)	-
<u>1,018</u>	<u>(37)</u>
<u>\$ 342,386</u>	<u>\$ 119,918</u>

Village of Spring Lake

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Total Component Units</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,368	\$ 2,637,506	\$ 2,641,874
Accounts receivable	<u>6</u>	<u>3,723</u>	<u>3,729</u>
TOTAL ASSETS	4,374	2,641,229	2,645,603
LIABILITIES			
Current liabilities			
Accounts payable	23	1,416	1,439
Due to other governmental units	<u>-</u>	<u>1,747,043</u>	<u>1,747,043</u>
Total current liabilities	23	1,748,459	1,748,482
Noncurrent liabilities			
Due to other governmental units	<u>-</u>	<u>325,668</u>	<u>325,668</u>
TOTAL LIABILITIES	<u>23</u>	<u>2,074,127</u>	<u>2,074,150</u>
NET ASSETS			
Unrestricted	<u>\$ 4,351</u>	<u>\$ 567,102</u>	<u>\$ 571,453</u>

See accompanying notes to financial statements.

Village of Spring Lake

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Tax Increment Finance Authority	Total Component Units
Governmental activities						
Downtown Development Authority	\$ 1,390	\$ 1,000	\$ -	\$ (390)	\$ -	\$ (390)
Tax Increment Finance Authority	1,203,554	-	53,410	-	(1,150,144)	(1,150,144)
TOTALS	<u>\$ 1,204,944</u>	<u>\$ 1,000</u>	<u>\$ 53,410</u>	(390)	(1,150,144)	(1,150,534)
General revenues						
Property taxes				-	1,340,791	1,340,791
Investment earnings				181	109,785	109,966
Miscellaneous				-	1,250	1,250
Total general revenues				<u>181</u>	<u>1,451,826</u>	<u>1,452,007</u>
Change in net assets				(209)	301,682	301,473
Net assets, beginning of year				<u>4,560</u>	<u>265,420</u>	<u>269,980</u>
Net assets, end of year				<u>\$ 4,351</u>	<u>\$ 567,102</u>	<u>\$ 571,453</u>

See accompanying notes to financial statements.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village operates under an elected Village Council, which consists of the President and six (6) council members, with daily activities operated by the Village Manager, and Clerk/Treasurer. The Village provides services to its more than 2,500 residents in many areas including general government, law enforcement, highways and streets, and utility services.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Spring Lake (primary government), and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

2. Discretely Presented Component Units

The Downtown Development Authority and the Tax Increment Finance Authority (component units) are reported in a separate column to emphasize that, while legally separate, the Village of Spring Lake remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Spring Lake is such that exclusion of these entities would render the financial statements misleading or incomplete.

The governing bodies of the Downtown Development Authority (DDA) and the Tax Increment Finance Authority (TIFA) are appointed by the Village Council, the budgets are subject to the approval of the Village Council, the Village temporarily relinquishes part of its tax base to the entities (tax increment revenues), and the Village has pledged its full faith and credit toward payment of the entities' debt.

3. Joint Ventures

The Village is a member of the Grand Haven - Spring Lake Sewer Authority (the Authority). The Village can appoint two (2) members to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$96,731 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete audited financial statements for the organization can be obtained at Grand Haven City Hall (519 Washington Street). As of June 30, 2007, the Authority had Net Assets of \$6,797,544.

The Village is also a member of the Northwest Ottawa Water Treatment Plant (NOWS). The Village appoints one (1) member to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$106,398 to the plant to purchase water. The purpose of NOWS is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, Village of Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The Village is unaware of any circumstances that would cause additional benefit or burden to participating governments in the near future. Complete audited financial statements for the organization can be obtained at Grand Haven City Hall (519 Washington Street). As of June 30, 2007, the NOWS had Net Assets of \$5,185,121.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Police Department Fund is used to account for the financial resources that are used to operate the Spring Lake/Ferrysburg police department.
- c. The Water Fund is used to account for the operations required to provide water services to the Village residents, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Sewer Fund is used to account for the operations required to provide sewer services to Village residents, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the Village reports internal service funds to account for the management of equipment provided to other departments of the Village on a cost reimbursement basis.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Major Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to February, the Village Manager and the Village Council develop an initial schedule of goals and objectives for the next year.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- b. During February, the various department heads develop spending plans which are based upon anticipated needs. These plans are then modified for the Manager's projections and are consolidated into a preliminary budget plan.
- c. During April, the plan is subjected to revision by the Council as considered necessary and is then formalized as a preliminary budget resolution.
- d. Prior to the end of June, a public hearing is held and the resolution is adopted.
- e. The budget is integrated with the accounting system and is used as a management control device during the year. The Village Manager is authorized to transfer budgeted amounts between accounts within the same department of any fund. Transfers between departments and funds must be approved by the Village Council.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Unexpended appropriations lapse at year-end.
- g. Budgeted amounts are as originally adopted or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations.

8. Cash and Cash Equivalents

The Village pools cash resources of various funds in order to facilitate the management of cash. Cash and cash equivalents applicable to a particular fund are readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in pooled investment accounts and considered cash equivalents.

9. Restricted Cash and Cash Equivalents

Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and cash equivalents of the Village reported in the Water Fund represent accumulated funds required to be used for the Northwest Ottawa Water Supply System construction and is held in the custody of the Ottawa County Road Commission.

10. Receivables and Due From Other Governmental Units

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Village from special assessments, and taxes levied that have not been collected. Amounts due from governmental units consist of amounts due for various programs and amounts owed from the component unit (TIFA) related to the redevelopment loans.

11. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, buildings, equipment, vehicles, mains and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type columns. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than three years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10-20 years
Building improvements	10-70 years
Machinery and equipment	3-15 years
Vehicles	3-10 years
Infrastructure	10-50 years
Mains	50 years

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Compensated Absences

Substantially all Village employees are granted vacation hours up to a maximum of 200 hours at July 1 based on years of service. Employees are permitted to carry up to 40 hours of unused vacation time into the next fiscal year upon approval of the Village Manager. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all Village employees are allowed to accrue sick hours up to a maximum of 700 hours. The Village will pay out any excess sick hours at a rate of 40% of the employee's current rate of pay on or around January 1 every year and therefore not paid to an employee upon termination.

The cost of the compensated absences, including related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

15. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to the due from other governmental units receivable that will be collected in future periods. This amount is not deferred in the government-wide financial statements.

16. Property Tax

The Village of Spring Lake bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Property Tax - continued

Property taxes are levied by the Village of Spring Lake on July 1 and are payable without penalty through September 14. The July 1 levy is composed of the Village's millage. All real property taxes not paid to the Village by March 1 are turned over to the Ottawa County Treasurer for collection. The Ottawa County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted by ordinance to levy taxes up to 20.0000 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2008, the Village levied 10.0839 mills per \$1,000 of taxable valuation for general governmental services and 1.7780 mills for debt. The total taxable value for the 2007 levy for the property within the Village was \$111,315,729, less a TIF captured amount of \$14,217,651.

17. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Funds (Central Equipment and Police Equipment) records charges for services provided to various Village departments and funds as operating revenue. All Village funds record these payments as operating expenditures/expenses.

18. Reserved Fund Balance

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

19. Restrictions of Net Assets

Restrictions of net assets shown in the Government-wide financial statement indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

20. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

The Village deposits consist of a common checking account and various savings accounts, checking accounts, and pooled investment accounts, maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2008, the carrying amounts of the Village's deposits were \$943,484 and the bank balance was \$1,012,320, of which \$125,374 was covered by federal depository insurance. The balance of \$886,946 was uninsured and uncollateralized.

Investments

As of June 30, 2008, the carrying amount and market values for each investment are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Chase Bank - Michigan Governmental Operating Fund	<u>\$ 3,178,375</u>	<u>\$ 3,178,375</u>	31 days

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the Village's investment in the Michigan Governmental Operating Fund was rated Aaa by Moody's.

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash, and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents or cash and cash equivalents - restricted captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,478,502	\$ 2,641,874	\$ 4,120,376
Cash and cash equivalents - restricted	<u>1,483</u>	<u>-</u>	<u>1,483</u>
	<u>\$ 1,479,985</u>	<u>\$ 2,641,874</u>	<u>\$ 4,121,859</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2008:

Due to internal service funds from:	
Water Fund	<u>\$ 45,500</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to General Fund from:	
Sewer Fund	\$ 6,000
Water Fund	<u>6,500</u>
	<u>\$ 12,500</u>
Transfers to Police Department Fund from:	
General Fund	<u>\$ 461,045</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 5,648
Nonmajor governmental funds	23,000
Sewer Fund	1,000
Water Fund	<u>114,875</u>
	<u>\$ 144,523</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,027,671	\$ -	\$ -	\$ 2,027,671
Capital assets being depreciated				
Land improvements	1,021,143	49,654	-	1,070,797
Buildings and Improvements	2,612,308	-	-	2,612,308
Machinery and equipment	329,712	21,713	(10,422)	341,003
Vehicles	345,643	20,581	(20,910)	345,314
Infrastructure	<u>6,743,009</u>	<u>155,764</u>	<u>-</u>	<u>6,898,773</u>
Total capital assets being depreciated	11,051,815	247,712	(31,332)	11,268,195
Less accumulated depreciation				
Land improvements	(378,493)	(44,681)	-	(423,174)
Buildings and improvements	(451,072)	(62,393)	-	(513,465)
Machinery and equipment	(107,996)	(38,538)	10,422	(136,112)
Vehicles	(207,494)	(62,501)	20,910	(249,085)
Infrastructure	<u>(5,460,171)</u>	<u>(84,964)</u>	<u>-</u>	<u>(5,545,135)</u>
Total accumulated depreciation	<u>(6,605,226)</u>	<u>(293,077)</u>	<u>31,332</u>	<u>(6,866,971)</u>
Net capital assets being depreciated	<u>4,446,589</u>	<u>(45,365)</u>	<u>-0-</u>	<u>4,401,224</u>
Total net capital assets	<u>\$ 6,474,260</u>	<u>\$ (45,365)</u>	<u>\$ -0-</u>	<u>\$ 6,428,895</u>

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: CAPITAL ASSETS - CONTINUED

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General government	\$ 158,398
Public safety	24,751
Public works	66,576
Recreation and cultural	<u>43,352</u>

Total depreciation expense \$ 293,077

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities				
Capital assets not being depreciated				
Land	\$ 8,092	\$ -	\$ -	\$ 8,092
Capital assets being depreciated				
Buildings and improvements	4,322,137	-	-	4,322,137
Mains	1,981,282	-	-	1,981,282
Machinery and equipment	<u>557,189</u>	<u>-</u>	<u>-</u>	<u>557,189</u>
Total capital assets being depreciated	6,860,608	-0-	-0-	6,860,608
Less accumulated depreciation				
Buildings and improvements	(1,550,510)	(86,000)	-	(1,636,510)
Mains	(601,154)	(46,984)	-	(648,138)
Machinery and equipment	<u>(313,433)</u>	<u>(27,523)</u>	<u>-</u>	<u>(340,956)</u>
Total accumulated depreciation	<u>(2,465,097)</u>	<u>(160,507)</u>	<u>-0-</u>	<u>(2,625,604)</u>
Net capital assets being depreciated	<u>4,395,511</u>	<u>(160,507)</u>	<u>-0-</u>	<u>4,235,004</u>
Total net capital assets	<u>\$ 4,403,603</u>	<u>\$ (160,507)</u>	<u>\$ -0-</u>	<u>\$ 4,243,096</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Installment Loan	\$ 209,500	\$ -	\$ -	\$ 209,500	\$ -
Lake Pointe Redevelopment Loan	260,000	-	174,182	85,818	-
Mill Point Station Loan	239,850	-	-	239,850	-
1998 NOWS Bonds	503,344	-	129,096	374,248	126,488
2003 G.O. Capital Improvement Bonds	1,395,000	-	35,000	1,360,000	35,000
2000 Street Construction Bonds	325,000	-	30,000	295,000	30,000
Compensated Absences	<u>11,197</u>	<u>55,368</u>	<u>49,440</u>	<u>17,125</u>	<u>12,844</u>
Total governmental activities	2,943,891	55,368	417,718	2,581,541	204,332

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT - CONTINUED					
Business-type Activities					
1989 NOWS Bonds	\$ 179,994	\$ -	\$ 54,960	\$ 125,034	\$ 59,769
2005 Refunding Bonds	209,746	-	20,026	189,720	28,458
NOWS Plant Refunding Bonds	136,050	-	46,567	89,483	45,654
2002 Water Supply Bonds	252,697	-	9,929	242,768	10,922
2005 NOWS Bonds	<u>90,259</u>	<u>-</u>	<u>4,559</u>	<u>85,700</u>	<u>5,014</u>
Total business-type activities	<u>868,746</u>	<u>-0-</u>	<u>136,041</u>	<u>732,705</u>	<u>149,817</u>
TOTAL REPORTING ENTITY	<u>\$ 3,812,637</u>	<u>\$ 55,368</u>	<u>\$ 553,759</u>	<u>\$ 3,314,246</u>	<u>\$ 354,149</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Loans

\$209,500 Installment Loan dated September 5, 2007, due in an installment of \$209,500 on July 1, 2012 with interest at 7.39 percent payable semi-annually.	\$ 209,500
\$260,000 Lake Point Redevelopment Loan, due in annual installments ranging from \$16,613 to \$26,045 with interest of 2.00 percent payable semi-annually beginning on August 26, 2010.	85,818
\$239,850 Mill Point Station Loan, due in annual installments ranging from \$19,710 to \$24,027 through 2021 with principal and interest payments of 2.00 percent payable semi-annually beginning on April 6, 2011.	<u>239,850</u>
	<u>\$ 535,168</u>

General Obligation Bonds

\$4,555,000 1998 NOWS Bonds (Village share \$1,187,944) dated August 19, 1998, due in annual installments ranging from \$122,576 to \$126,488 through 2011, with interest ranging from 4.0 to 4.7 percent, payable semi-annually.	\$ 374,248
\$1,445,000 2003 General Obligation Capital Improvement Bonds, dated April 1, 2003, due in installments ranging from \$35,000 to \$155,000 through April 1, 2028, with interest at 2.5 to 4.5 percent, payable semi-annually.	1,360,000
\$450,000 2000 Street Construction Bonds dated April 12, 2000, due in annual installments ranging from \$30,000 to \$55,000 through October 1, 2014, with interest ranging from 5.00 to 5.40 percent, payable semi-annually.	295,000
\$4,980,000 2005 Northwest Ottawa Water System Refunding Bonds (Village share \$243,474) Village share due in annual installments ranging from \$25,296 to \$28,458 through January 1, 2015, with interest ranging from 3.5 to 4.0 percent, payable semi-annually.	<u>189,720</u>
	<u>\$ 2,218,968</u>

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Revenue Bonds

\$990,000 2005 Northwest Ottawa Water System Bonds (Village share \$90,259) dated May 26, 2005, Village share due in annual installments ranging from \$5,014 to \$10,029 through May 1, 2020, with interest ranging from 3.125 to 4.250 percent, payable semi-annually.	\$ 85,700
\$2,035,000 1989 Northwest Ottawa Water System Bonds, (Village share \$428,978) Village share due in annual installments ranging from \$59,769 to \$65,265 through 2010, with interest ranging from 6.5 to 6.7 percent, payable monthly through rates.	125,034
\$8,380,000 1986 Northwest Ottawa Water System Plant Refunding Bonds, (Village share \$765,161) Village share due in annual installments ranging from \$43,829 to \$45,654 through 2010, with interest ranging from 5.00 to 7.40 percent, payable monthly through rates.	89,483
\$2,845,000 2002 Water Supply Bonds (Village share \$282,483), dated May 1, 2001, Village share due in annual installments ranging from \$10,922 to \$29,787 through May 1, 2021, with interest ranging from 4.625 to 5.200 percent, payable semi-annually.	<u>242,768</u>
	<u>\$ 542,985</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights, including related payroll taxes, have been recorded in the government-wide financial statements. They amount to approximately \$17,125 at June 30, 2008.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 219,946	\$ 98,042	\$ 121,359	\$ 30,178	\$ -	\$ 15,697
2010	223,642	88,527	126,023	22,252	26,045	15,697
2011	224,980	78,632	18,378	14,047	45,393	20,376
2012	102,404	71,252	19,827	13,254	41,504	24,266
2013	106,350	75,638	21,276	12,393	246,218	7,738
2014-2018	356,646	269,121	135,061	45,684	106,718	13,417
2019-2023	370,000	200,244	101,061	9,978	69,290	2,789
2024-2028	<u>615,000</u>	<u>93,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,218,968</u>	<u>\$ 975,145</u>	<u>\$ 542,985</u>	<u>\$ 147,786</u>	<u>\$ 535,168</u>	<u>\$ 99,980</u>

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: LONG-TERM DEBT - CONTINUED

The Ottawa County Water Supply Bonds (Village of Spring Lake System) were issued pursuant to the provisions of Act 342, Public Acts of Michigan, 1939 as amended, and pursuant to a resolution adopted by the Board of Commissioner of the County of Ottawa for the purpose of paying the cost of constructing water system improvements to service the Village. Ottawa County and the Village have entered into a contract in which the Village has agreed to pay the County for the principal and interest on the bonds as they become due and payable. Current debt service payments are funded by rates and charges for the use of the system.

NOTE G: RETIREMENT PLAN

Plan Description

The Village participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units only for police employees but not for general employees, and as of the December 31, 2006 valuation required contributions from the Village of 9.58% of gross wages for the general Village employees for which the Village actually contributed 10.0% and an valuation required contributions from the Village of 7.2% of gross wages for the police employees. In addition, the general Village employees are required to contribute 5.0% of their gross wages and the police department employees are required to contribute 9.86% of their gross wages.

Annual Pension Cost

For year ended June 30, 2008 the Village's annual pension cost of \$72,366 for the plan was equal to the Village's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
	(Police Employees)	(Police & General Employees)	(Police & General Employees)
Actuarial value of assets	\$ 991,741	\$ 1,484,685	\$ 1,685,222
Actuarial accrued liability (AAL) (entry age)	1,347,410	2,138,471	2,444,478
Unfunded AAL	355,669	653,789	759,256
Funded ratio	74 %	69 %	69 %
Covered payroll	430,530	757,973	830,424
UAAL as a percentage of covered payroll	83 %	86 %	91 %

Village of Spring Lake
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	<u>2006</u>	Year Ended June 30, <u>2007</u>	<u>2008</u>
Annual pension cost	\$ 33,289	\$ 68,096	\$ 72,366
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued MERS actuarial report.

General Village Employees

The Village also participates in a 457 qualified retirement plan covering the Village Manager, to which the Village is required to contribute 11% of the Manager's gross wages. Total contributions by the Village for the year ended June 30, 2008 were \$8,804.

Police Department

The Police Department participates in a 401(a) qualified retirement program covering qualified employees, to which the Village is required to contribute 4% of the employee's gross wages. Each participating employee is required to contribute a minimum of 1%, but no more than 10%, of gross wages. Total contributions by the Village for the year ended June 30, 2008 were \$18,003.

NOTE H: POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note G, the Village provides post-employment health care benefits to all of its retired employees who meet following eligibility requirements.

1. Retired from active employment with the Village with at least ten years of service
2. Participated in the group medical insurance program and/or the group dental insurance program provided through the Village immediately prior to their retirement
3. Retired from active employment with the Village at or after age 50

The Village paid the health care premium for three (3) retirees during the fiscal year. During the year, approximately \$18,177 was paid for post employment health care.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: RISK MANAGEMENT

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, law enforcement, auto, crime, in-land marine, EDP, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended, as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE J: FLEXIBLE BENEFITS PLAN

In July 2005, the Village implemented a flexible benefit cafeteria plan established under Section 125 of the Internal Revenue Code. The plans are available to all full time or part time employees who work at least 20 hours per week.

The plan permits employees, who must pay a portion of the health insurance, to do so through a pretax compensation reduction. The plan also permits employees to reduce their compensation and apply it to medical or dependent care expenses.

The plan is administered by the Village of Spring Lake.

NOTE K: CONTINGENT LIABILITIES

There are various potential legal actions pending against the Village that normally occur as a result of government operations. Due to the inconclusive nature of many of the actions, it is not possible for Municipal Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by Village management and legal counsel to be immaterial.

As disclosed in Note A #3, the Village is a member of both the Grand Haven-Spring Lake Sewer authority and the Northwest Ottawa Water Treatment Plant. The Village, along with the other participating municipalities, has pledged their full faith and credit for repayment of the outstanding debt of these two (2) governmental entities. For all debt, the amount the Village is required to contribute to these entities for repayment of the debt is not a fixed amount, but is based on the volume of water purchased and is included in the rate charged by these entities. The Village is still liable for their share of the debts even if they do not collect enough fees in the future to cover these payments.

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The approved budgets of the Village have been adopted at the functional level for the General Fund and at the fund level for the Special Revenue Funds.

During the year ended June 30, 2008, the Village incurred expenditures in the General Fund and Historic Commission Fund in excess of the amounts appropriated as follows:

Village of Spring Lake

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Village Manager	\$ 94,562	\$ 98,480	\$ 3,918
Clerk - Treasurer	94,475	98,493	4,018
Attorney	16,050	16,099	49
Public safety			
Fire department	12,688	12,785	97
Recreation and cultural			
Community promotion	105,920	106,595	675
Debt service	-	174,182	174,182
Historic Commission Fund	3,293	3,747	454

Note: Expenditures for both Village Manager and Clerk-Treasurer exceeded amounts appropriated because of the allocation of time between these departments and Village hall and grounds.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Spring Lake

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	\$ 926,952	\$ 950,555	\$ 968,710	\$ 18,155
Penalties and interest	5,000	8,245	9,415	1,170
Administration fees	13,213	13,069	13,209	140
Total taxes	945,165	971,869	991,334	19,465
Intergovernmental				
Federal/State	205,768	205,768	205,283	(485)
Local	32,000	37,000	211,182	174,182
Total intergovernmental	237,768	242,768	416,465	173,697
Charges for services				
Cable TV franchise fees	31,500	34,000	35,040	1,040
Cellular tower usage	12,000	14,400	14,400	-0-
Zoning fees	2,000	3,090	3,340	250
Housing inspection fees	2,250	3,000	3,075	75
Launch ramp fees	7,500	6,370	7,329	959
Other charges for services	6,200	7,502	8,200	698
Total charges for services	61,450	68,362	71,384	3,022
Licenses and permits	4,500	4,320	4,320	-0-
Fines and forfeits	22,000	25,250	25,080	(170)
Interest and rents				
Interest	5,000	5,000	13,508	8,508
Rentals	100,141	80,355	78,558	(1,797)
Total interest and rents	105,141	85,355	92,066	6,711
Other				
Refunds and reimbursements	10,000	10,175	11,103	928
Other	9,050	8,384	8,495	111
Total other	19,050	18,559	19,598	1,039
TOTAL REVENUES	1,395,074	1,416,483	1,620,247	203,764
EXPENDITURES				
Current				
General government				
Village Council	17,168	17,074	16,663	411
Village Manager	96,321	94,562	98,480	(3,918)

Village of Spring Lake

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Current - continued				
General government - continued				
Clerk-Treasurer	\$ 95,048	\$ 94,475	\$ 98,493	\$ (4,018)
Elections	2,750	2,062	2,062	-
Village hall and grounds	49,687	53,106	50,167	2,939
Attorney	21,800	16,050	16,099	(49)
Barber Street School	32,337	27,479	24,020	3,459
Total general government	315,111	304,808	305,984	(1,176)
Public safety				
Fire department	13,020	12,688	12,785	(97)
Public works				
Public works	161,074	172,760	170,562	2,198
Maintenance	15,500	14,445	13,427	1,018
Street lighting	51,000	52,500	50,865	1,635
Total public works	227,574	239,705	234,854	4,851
Community and economic development				
Planning and zoning	56,732	90,843	90,560	283
Recreation and cultural				
Tanglefoot park	35,260	34,738	31,519	3,219
Park maintenance	158,351	150,675	147,210	3,465
Community promotion	98,040	105,920	106,595	(675)
Recreation department	14,515	11,517	11,517	-0-
Total recreation and cultural	306,166	302,850	296,841	6,009
Other	3,000	3,003	2,693	310
Debt service	-	-	174,182	(174,182)
TOTAL EXPENDITURES	921,603	953,897	1,117,899	(164,002)
EXCESS OF REVENUES OVER EXPENDITURES	473,471	462,586	502,348	39,762
OTHER FINANCING SOURCES (USES)				
Transfers in	12,500	12,500	12,500	-0-
Transfers out	(465,045)	(466,693)	(466,693)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(452,545)	(454,193)	(454,193)	-0-
NET CHANGE IN FUND BALANCE	20,926	8,393	48,155	39,762
Fund balance, beginning of year	353,364	353,364	353,364	-0-
Fund balance, end of year	\$ 374,290	\$ 361,757	\$ 401,519	\$ 39,762

Village of Spring Lake

Police Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental				
State	\$ 3,000	\$ 2,502	\$ 2,678	\$ 176
Local	461,045	461,627	461,627	-0-
Interest	-	-	3,988	3,988
Other	-	1,314	1,851	537
TOTAL REVENUES	464,045	465,443	470,144	4,701
EXPENDITURES				
Public safety	950,090	943,456	936,611	6,845
EXCESS OF REVENUES (UNDER) EXPENDITURES	(486,045)	(478,013)	(466,467)	11,546
OTHER FINANCING SOURCES				
Transfers in	461,045	461,045	461,045	-0-
NET CHANGE IN FUND BALANCE	(25,000)	(16,968)	(5,422)	11,546
Fund balance, beginning of year	87,053	87,053	87,053	-0-
Fund balance, end of year	\$ 62,053	\$ 70,085	\$ 81,631	\$ 11,546

OTHER SUPPLEMENTARY INFORMATION

Village of Spring Lake
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2008

	Special			
	Major Street	Local Street	Public Improvement	Historic Commission
ASSETS				
Cash and cash equivalents	\$ 153,822	\$ 46,805	\$ 63,598	\$ 2,564
Interest receivable	217	66	90	4
Due from other governmental units				
Federal/State	19,197	6,945	6,199	-
Local	-	-	802	-
TOTAL ASSETS	\$ 173,236	\$ 53,816	\$ 70,689	\$ 2,568
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 500	\$ 220	\$ 18,120	\$ 371
Accrued liabilities	949	765	700	-
TOTAL LIABILITIES	1,449	985	18,820	371
FUND BALANCES				
Reserved for debt service	-	-	-	-
Unreserved				
Undesignated, reported in				
Special revenue funds	171,787	52,831	51,869	2,197
TOTAL FUND BALANCES	171,787	52,831	51,869	2,197
TOTAL LIABILITIES AND FUND BALANCES	\$ 173,236	\$ 53,816	\$ 70,689	\$ 2,568

Revenue		Debt Service			Total
Storm Water System	Building Department	2000 Street	Northwest Ottawa Water Supply	2003 Village Hall	Nonmajor Governmental Funds
\$ 79 -	\$ 10,472 15	\$ 45,806 65	\$ 6,123 9	\$ 64,540 67	\$ 393,809 533
-	-	-	-	-	32,341
-	-	-	-	-	802
<u>\$ 79</u>	<u>\$ 10,487</u>	<u>\$ 45,871</u>	<u>\$ 6,132</u>	<u>\$ 64,607</u>	<u>\$ 427,485</u>
\$ - -	\$ 150 436	\$ - -	\$ - -	\$ - 3,734	\$ 19,361 6,584
-0-	586	-0-	-0-	3,734	25,945
-	-	45,871	6,132	60,873	112,876
79	9,901	-	-	-	288,664
79	9,901	45,871	6,132	60,873	401,540
<u>\$ 79</u>	<u>\$ 10,487</u>	<u>\$ 45,871</u>	<u>\$ 6,132</u>	<u>\$ 64,607</u>	<u>\$ 427,485</u>

Village of Spring Lake

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special			
	Major Street	Local Street	Public Improvement	Historic Commission
REVENUES				
Taxes	\$ -	\$ -	\$ 79,989	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	159,132	136,688	26,440	-
Interest and rents	6,419	1,946	10,870	104
Other	-	-	5,456	2,319
TOTAL REVENUES	165,551	138,634	122,755	2,423
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	127,910	112,962	132,423	-
Recreation and cultural	-	-	-	3,747
Debt service				
Principal	-	-	-	-
Interest	-	-	20,154	-
Capital outlay	21,690	43,685	27,915	-
TOTAL EXPENDITURES	149,600	156,647	180,492	3,747
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,951	(18,013)	(57,737)	(1,324)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	17,000	-	-
Transfers out	(6,000)	-	(17,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,000)	17,000	(17,000)	-0-
NET CHANGE IN FUND BALANCES	9,951	(1,013)	(74,737)	(1,324)
Fund balances, beginning of year	161,836	53,844	126,606	3,521
Fund balances, end of year	\$ 171,787	\$ 52,831	\$ 51,869	\$ 2,197

Revenue		Debt Service			Total Nonmajor Governmental Funds
Storm Water System	Building Department	2000 Street	Northwest Ottawa Water Supply	2003 Village Hall	
\$ -	\$ -	\$ 32,337	\$ -	\$ 77,564	\$ 189,890
-	33,400	-	-	-	33,400
-	-	-	35,000	-	357,260
4	385	1,894	254	31,672	53,548
-	-	-	-	-	7,775
4	33,785	34,231	35,254	109,236	641,873
-	49,672	-	-	-	49,672
5,573	-	-	-	-	378,868
-	-	-	-	-	3,747
-	-	30,000	129,096	35,000	194,096
-	-	16,484	20,257	62,906	119,801
-	-	-	-	-	93,290
5,573	49,672	46,484	149,353	97,906	839,474
(5,569)	(15,887)	(12,253)	(114,099)	11,330	(197,601)
5,648	-	8,000	113,875	-	144,523
-	-	-	-	-	(23,000)
5,648	-0-	8,000	113,875	-0-	121,523
79	(15,887)	(4,253)	(224)	11,330	(76,078)
-	25,788	50,124	6,356	49,543	477,618
\$ 79	\$ 9,901	\$ 45,871	\$ 6,132	\$ 60,873	\$ 401,540

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

	Central Equipment	Police Equipment	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 269,702	\$ 42,099	\$ 311,801
Interest receivable	381	59	440
Due from other funds	45,500	-	45,500
Total current assets	315,583	42,158	357,741
Noncurrent assets			
Capital assets, net of accumulated depreciation	206,844	24,657	231,501
TOTAL ASSETS	522,427	66,815	589,242
LIABILITIES			
Current liabilities			
Accounts payable	1,993	817	2,810
Accrued liabilities	183	-	183
TOTAL LIABILITIES	2,176	817	2,993
NET ASSETS			
Invested in capital assets	206,844	24,657	231,501
Unrestricted	313,407	41,341	354,748
TOTAL NET ASSETS	\$ 520,251	\$ 65,998	\$ 586,249

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

Year Ended June 30, 2008

	Central Equipment	Police Equipment	Total
OPERATING REVENUES			
Charges for services	\$ 196,042	\$ 73,551	\$ 269,593
Other	1,050	7,257	8,307
TOTAL OPERATING REVENUES	197,092	80,808	277,900
OPERATING EXPENSES			
Salaries and wages	9,444	-	9,444
Benefits	3,699	-	3,699
Supplies	36,517	39,287	75,804
Contracted services	552	368	920
Repairs and maintenance	30,012	16,276	46,288
Insurance	8,890	3,737	12,627
Depreciation	72,537	24,751	97,288
Other	6,090	-	6,090
TOTAL OPERATING EXPENSES	167,741	84,419	252,160
OPERATING INCOME (LOSS)	29,351	(3,611)	25,740
NONOPERATING REVENUES			
Interest earned	11,432	1,748	13,180
CHANGE IN NET ASSETS	40,783	(1,863)	38,920
Net assets, beginning of year	479,468	67,861	547,329
Net assets, end of year	\$ 520,251	\$ 65,998	\$ 586,249

Village of Spring Lake

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Central Equipment	Police Equipment	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 196,348	\$ 73,635	\$ 269,983
Cash received from others	1,050	7,257	8,307
Cash paid to employees	(9,481)	-	(9,481)
Cash paid for employees benefits	(3,699)	-	(3,699)
Cash paid to vendors	(81,640)	(63,552)	(145,192)
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,578	17,340	119,918
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(8,000)	(20,581)	(28,581)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	11,432	1,748	13,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	106,010	(1,493)	104,517
Cash and cash equivalents, beginning of year	163,692	43,592	207,284
Cash and cash equivalents, end of year	<u>\$ 269,702</u>	<u>\$ 42,099</u>	<u>\$ 311,801</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 29,351	\$ (3,611)	\$ 25,740
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	72,537	24,751	97,288
Decrease in interest receivable	306	84	390
Increase (decrease) in accounts payable	421	(3,884)	(3,463)
(Decrease) in accrued liabilities	(37)	-	(37)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 102,578</u>	<u>\$ 17,340</u>	<u>\$ 119,918</u>

Village of Spring Lake

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2008

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 4,368
Accounts receivable	<u>6</u>
TOTAL ASSETS	<u>\$ 4,374</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 23
FUND BALANCE	
Unreserved	
Undesignated	<u>4,351</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,374</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of June 30, 2008.

Village of Spring Lake

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2008

	<u>Special Revenue</u>
REVENUES	
Intergovernmental	\$ 1,000
Interest	<u>181</u>
TOTAL REVENUES	1,181
EXPENDITURES	
Current	
Community and economic development	<u>1,390</u>
NET CHANGE IN FUND BALANCE	(209)
Fund balance, beginning of year	<u>4,560</u>
Fund balance, end of year	<u><u>\$ 4,351</u></u>

Note: Reconciliation of the statement of revenues, expenditures and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2008.

Village of Spring Lake

Component Unit Funds

BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY

June 30, 2008

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 2,637,506
Accounts receivable	<u>3,723</u>
TOTAL ASSETS	<u>\$ 2,641,229</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 1,416
Due to other governmental units	<u>1,747,043</u>
TOTAL LIABILITIES	1,748,459
FUND BALANCE	
Unreserved	
Undesignated	<u>892,770</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,641,229</u>

Village of Spring Lake

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - TAX INCREMENT FINANCE AUTHORITY

June 30, 2008

Total fund balance - governmental fund -	\$ 892,770
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Due to other governmental units	<u>(325,668)</u>
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Net assets of governmental activities	<u>\$ 567,102</u>
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Village of Spring Lake

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY

Year Ended June 30, 2008

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 1,340,791
Intergovernmental	53,410
Interest and rents	<u>111,035</u>
TOTAL REVENUES	1,505,236
EXPENDITURES	
Current	
Recreation and cultural	29,249
Community and economic development	<u>1,348,487</u>
TOTAL EXPENDITURES	<u>1,377,736</u>
NET CHANGE IN FUND BALANCE	127,500
Fund balance, beginning of year	<u>765,270</u>
Fund balance, end of year	<u><u>\$ 892,770</u></u>

Village of Spring Lake

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - TAX INCREMENT FINANCE AUTHORITY

Year Ended June 30, 2008

Net change in fund balance - governmental fund	\$	127,500
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Amounts reported for the governmental activities in the statement of activities are different because:

Certain long-term amounts expended to other governmental units (primary government) are reported as intergovernmental expenditures in governmental funds, but the amounts result in an decrease in noncurrent liabilities in the statement of net assets. In the current year, these amounts consist of:

Intergovernmental expenditures to the primary government	<u>174,182</u>
Change in net assets of governmental activities	<u>\$ 301,682</u>

Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2008

Fiscal year ending June 30,	Governmental			
	Installment Loan		Lake Pointe Redevelopment Loan	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ 15,697	\$ -	\$ -
2010	-	15,697	26,045	-
2011	-	15,697	21,366	4,679
2012	-	15,697	21,794	4,252
2013	209,500	-	16,613	3,816
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 209,500</u>	<u>\$ 62,788</u>	<u>\$ 85,818</u>	<u>\$ 12,747</u>

Activities			
1998 NOWS Bonds		2003 General Obligation Capital Improvement Bonds	
Principal	Interest	Principal	Interest
\$ 126,488	\$ 14,397	\$ 35,000	\$ 61,631
125,184	8,640	35,000	60,494
122,576	2,881	35,000	59,269
-	-	35,000	57,956
-	-	35,000	56,600
-	-	30,000	55,200
-	-	35,000	53,850
-	-	40,000	52,275
-	-	45,000	50,475
-	-	50,000	48,450
-	-	60,000	46,200
-	-	65,000	43,425
-	-	75,000	40,419
-	-	80,000	36,950
-	-	90,000	33,250
-	-	100,000	29,088
-	-	110,000	24,464
-	-	120,000	19,237
-	-	130,000	13,537
-	-	155,000	7,363
<u>\$ 374,248</u>	<u>\$ 25,918</u>	<u>\$ 1,360,000</u>	<u>\$ 850,133</u>

Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS - CONTINUED

June 30, 2008

Fiscal year ending June 30,	Governmental activities - continued			
	2000 Street Construction Bonds		Mill Point Station Loan	
	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 14,710	\$ -	\$ -
2010	35,000	13,085	-	-
2011	40,000	11,170	24,027	-
2012	40,000	9,080	19,710	4,317
2013	45,000	15,918	20,105	3,922
2014	50,000	4,308	20,507	3,520
2015	55,000	1,485	20,917	3,110
2016	-	-	21,335	2,692
2017	-	-	21,762	2,265
2018	-	-	22,197	1,830
2019	-	-	22,641	1,386
2020	-	-	23,094	933
2021	-	-	23,555	470
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 295,000</u>	<u>\$ 69,756</u>	<u>\$ 239,850</u>	<u>\$ 24,445</u>

1989 NOWS Bonds		2005 Refunding Bonds	
Principal	Interest	Principal	Interest
\$ 59,769	\$ 8,127	\$ 28,458	\$ 7,304
65,265	4,242	28,458	6,308
-	-	27,404	5,312
-	-	27,404	4,216
-	-	26,350	3,120
-	-	26,350	2,066
-	-	25,296	1,012
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 125,034	\$ 12,369	\$ 189,720	\$ 29,338

Village of Spring Lake

SCHEDULE OF BONDED INDEBTEDNESS - CONTINUED

June 30, 2008

Fiscal year ending June 30,	Business-type			
	NOWS Plant Refunding Bonds		2005 NOWS Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 45,654	\$ 6,622	\$ 5,014	\$ 3,314
2010	43,829	3,243	5,014	3,157
2011	-	-	5,470	2,997
2012	-	-	5,926	2,811
2013	-	-	6,382	2,603
2014	-	-	6,838	2,370
2015	-	-	7,294	2,110
2016	-	-	7,750	1,826
2017	-	-	8,205	1,516
2018	-	-	8,661	1,177
2019	-	-	9,117	814
2020	-	-	10,029	426
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 89,483</u>	<u>\$ 9,865</u>	<u>\$ 85,700</u>	<u>\$ 25,121</u>

activities - continued			
2002 Water Supply Bonds		Total Requirements	
Principal	Interest	Principal	Interest
\$ 10,922	\$ 12,115	\$ 341,305	\$ 143,917
11,915	11,610	375,710	126,476
12,908	11,050	288,751	113,055
13,901	10,443	163,735	108,772
14,894	9,790	373,844	95,769
15,887	9,075	149,582	76,539
17,376	8,304	160,883	69,871
19,362	7,435	88,447	64,228
20,851	6,467	95,818	60,723
22,837	5,404	103,695	56,861
24,823	4,234	116,581	52,634
27,305	2,955	125,428	47,739
29,787	1,549	128,342	42,438
-	-	80,000	36,950
-	-	90,000	33,250
-	-	100,000	29,088
-	-	110,000	24,464
-	-	120,000	19,237
-	-	130,000	13,537
-	-	155,000	7,363
<u>\$ 242,768</u>	<u>\$ 100,431</u>	<u>\$ 3,297,121</u>	<u>\$ 1,222,911</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

As you know, we have recently completed our audit of the records of the Village of Spring Lake, Michigan as of and for the year ended June 30, 2008. In connection with the audit, we offer the following comments for your consideration.

The Village should prepare for implementation of GASB Statement No. 45.

The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Village of Spring Lake the year ended June 30, 2010. This issue was noted and reported in our audit comments last year.

The Village is subject to this new standard in that it pays a percentage of health and dental insurance premiums for certain retirees up to age 65.

We would like the Council to be aware of this upcoming change and also suggest that the Village begin to discuss options for calculating the amount of the liability. The Council has the option of contracting with an actuary to determine the liability and required contribution amount or calculating the liability and required contribution amount using an alternate method described in GASB Statement No. 45.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Spring Lake and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 5, 2008

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
Village of Spring Lake
Spring Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Village of Spring Lake, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Spring Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting (internal control).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not disclose all significant deficiencies that might be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance.

2008-1 EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. This issue was noted in the General Fund and Historic Commission Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Council shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend that the Village management monitor adopted budgets against actual expenditures and Council approve budget amendments as appropriate throughout the year.

We noted a certain matter that we reported to management of the Village of Spring Lake in a separate letter dated December 5, 2008.

This report is intended solely for the information and use of the President and members of the Village Council and management of the Village of Spring Lake, others within the entity, and applicable department of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 5, 2008